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C O N F I D E N T I A L CARACAS 002668

SIPDIS

NSC FOR SHANNON/BARTON
STATE PASS AID FOR DCHA/OTI - RPORTER
SOUTHCOS ALSO FOR POLAD

E.O. 12958: DECL: 08/19/2014

TAGS: [ECON](#) [PGOV](#) [VE](#)

SUBJECT: VENEZUELAN BUSINESS ADJUSTS TO CHAVEZ'S VICTORY

REF: A. CARACAS 2643

[1](#)B. CARACAS 2505

Classified By: Economic Counselor Richard M. Sanders. Reason: 1.4(d).

Summary

[1](#)1. (C) Venezuela's business community has absorbed the unpleasant news of Chavez's referendum victory. Albis Munoz, President of umbrella business confederation FEDECAMARAS, made a relatively conciliatory public statement (even as the opposition Democratic Coordinating Committee, with which it is linked, continued to charge fraud); she subsequently told econcouns that while her group would oppose Chavez's anti-business policies, it would look to rebuild lines of communication. Antonio Herrera, executive director of the U.S.-Venezuela Chamber of Commerce (VENAMCHAM), stated that his group needed to re-establish the access it traditionally had at the highest levels of government even if that meant being viewed as "collaborationist." The oil sector has already made clear its desire to work with GOV, and a pro-Chavez agri-business leader insisted that the business sector must keep "its seat at the table." We expect that that over time some minimal relationship can be re-established between business and government. End Summary.

FEDECAMARAS Grits Its Teeth

[1](#)2. (U) On August 17, Albis Munoz, President of the Venezuelan Federation of Chambers of Commerce and Industry (FEDECAMARAS), the umbrella group representing Venezuela's various sectorial business groups, held a press conference at which she called for reconciliation after the referendum, and the re-establishment of "friendly environments for national survival and reconstruction." While not formally recognizing Chavez's victory and urging that the National Electoral Council resolve doubts about its validity, she stressed that Venezuela "cannot remain in confrontation," and urged that the GOV undertake policy changes to improve the business climate such as moderating its threatening tone, modifying price and exchange controls, and improving "juridical security" and respect for private property.

[1](#)3. (C) In an August 18 meeting with econcouns, Munoz characterized her remarks as a response to Chavez's victory speech, which had both conciliatory and confrontational elements, and suggested that they were comparable to those of the Catholic Church (ref a). FEDECAMARAS executive director Mario Tepedino separately told econcouns that they had been badly received within the Democratic Coordinating Committee, which is still pursuing the effort to prove fraud in the referendum vote counting; however, Munoz had felt she had no choice, given the pressures that Venezuelan businessmen face now that they have to continue to live with Chavez. Munoz said that while FEDECAMARAS has been "progressively distancing itself" from a direct political role, it would not break from its institutional linkage to the Democratic Coordinating Committee, and that she would not shrink from telling Chavez that she opposes him "as long as he keeps opposing the business community."

[1](#)4. (C) That said, FEDECAMARAS would look for vehicles to achieve some measure of normality in its relations with the GOV. She did not see herself meeting with Chavez in the near future, but she planned to write to him, forwarding him a copy of her organization's plan for economic recovery, which had been adopted at the group's July annual conference. She said that FEDECAMARAS would be pursuing initiatives to revive the tourism and construction section, where it could conceivably have common ground with the GOV. It is working on outreach to labor, including the pro-Chavez UNT labor central as well as the anti-Chavez CTV, its traditional counterpart, perhaps through an event sponsored by the Central University. While FEDECAMARAS would largely stick to economic issues in its public statements, there were lines that the GOV could not cross without the organization feeling

impelled to speak out -- in particular arrests of opposition political figures.

VENAMCHAM Turns the Page

15. (C) Even more so than FEDECAMARAS, the U.S.-Venezuelan Chamber of Commerce and Industry (VENAMCHAM), the entity which represents not only major U.S. firms investing here, but a range of local firms with some U.S. connection (agents/distributors, large purchasers of U.S. inputs, etc.) also appears to be looking to re-position itself to deal with the continuation of the Chavez government. (Note: While VENAMCHAM, traditionally a higher profile organization than most American chambers in Latin America, had avoided officially supporting Chavez's temporary ouster in April 2002 or the December 2002-February 2003 general strike, it has been seen by the GOV as largely oppositionist and, as such as been denied normal access to senior officials. End note.)

16. (C) VENAMCHAM executive director Antonio Herrera told econcouns on August 17, following a meeting of the organization's board of directors, that, even if it meant being seen as "collaborationist," working relations would have to be re-established with the GOV. He noted that the chamber had worked with authoritarian governments before and showed a tribute to dictator Marcos Perez Jimenez in an old copy of its magazine. VENAMCHAM, which is "in for the long haul," would concentrate on business issues, leaving politics to the politicians. If the National Assembly passes the draft law regulating the media, VENAMCHAM will criticize it only if it affects its the business interests of its media-owner members which include Venezuela's principal television stations and newspapers. The freedom of speech question is one for political leaders and human rights groups, he insisted.

17. (C) VENAMCHAM was still considering ways in which to recover its relationship with the GOV. Herrera said he was heartened by the fact that even before the referendum Capt. Jose Vielma Mora, head of customs and tax authority SENIAT had met with VENAMCHAM, which has a number of pending issues ranging from difficulties with pre-shipment inspection of goods entering the country to arbitrary tax inspections of multinational firms. He noted that Finance Minister Nobrega has also agreed to a meeting. He did not rule out that once the dust settles on the issue of the referendum fraud, VENAMCHAM might write to Chavez congratulating him and raising its range of business concerns. Herrera said that a "charm offensive" on Chavez's part to the USG and American business was a distinct possibility and advantage should be taken of any opening. (Comment: Herrera, who can be intentionally provocative in his discourse, was probably exaggerating a bit for effect. We expect that VENAMCHAM will be quite cautious in its efforts to re-establish relationships with the Chavez government. End comment.)

Sticking with the Winner

18. (C) Some businesses had already placed their bets with Chavez ahead of the referendum. International oil companies, although fully cognizant of the limitations of Venezuela's hydrocarbons regime and the political minefield involved in working with a leftist, "anti-imperialist" government, had worked long and hard to cultivate the GOV. In the immediate aftermath of the referendum outcome, Ali Mosheri, locally-based head of ChevronTexaco's Latin American upstream operations, told energy officer that his greatest concern was that the USG not make any statement (i.e. supporting the charges of fraud) which would provoke an adverse reaction from Chavez. And even before the referendum Luis Xavier Grissanti, executive director of the Venezuelan Hydrocarbons Association (AVHI), the industry association of foreign oil producers, made clear in a briefing for visiting U.S. Representative C.L. Otter that the oil sector was not waiting for any change in government but was engaged in a long-term campaign to persuade Chavez and state oil company PDVSA to improve the climate for foreign oil investment (ref B). AVHI was willing to accommodate Chavez to the point of participating in a round of public fora with businessmen which he held prior to the referendum, despite its evident electoral intent.

19. (C) One of the organizers of Chavez's series of public business fora was agri-businessman Alberto Cudemus, head of the Venezuelan Federation of Pork Producers (FEDEPORCINA). He had unsuccessfully run against Albis Munoz's predecessor as head of FEDECAMARAS, Carlos Fernandez (currently in Miami, to which he fled after the failed general strike led to his prosecution). Cudemus, who confidently predicted a wide Chavez victory in conversation with econcouns on August 13, said that on economic issues, Chavez listens to a range of

opinions, and that if the private sector (and the USG) did not remain "at the table," their positions would be filled by others with more radical voices. When it was suggested that some actions such as arrests of political opponents might make dialogue impossible, Cudemus said that under the right circumstance such matters could be "negotiable" for Chavez. (Note: Cudemus has used his connections with the Chavez administration to evident advantage, most notably in frustrating the entry of U.S. pork into Venezuela. End note.)

Comment - Taking a Write-Off

110. (C) Venezuela's businessmen have read the numbers and written off the prospects for Chavez's departure any time within their planning horizon. (Both Munoz and Herrera were clearly unwilling to tie their associations' fortunes to the possibility that the opposition's effort to prove fraud at the referendum will be successful.) Under those circumstances, they have little choice but to find some accommodation with him if they are to get any help on specific issues and contain any surge towards more radical policies. Given the tools the GOV has at its disposal to reward or punish businesses (such as granting or withholding foreign exchange or contracts with state industrial giants PDVSA and CVG), their decision is understandable. The pain of approaching the Chavez government, which remains authoritarian, corrupt, and ideologically biased, is somewhat lessened by the fact that many businesses which have survived the economic turmoil of recent years enjoy oligopolies, now that weaker competitors have failed, and with an oil boom kicking in, there is money to be made. But Chavez, whose preference has always been to deal with individual, hand-picked businessmen rather than industry groups, and who owes the organized business community nothing, is likely to insist that the terms of any reconciliation be highly favorable to him.
Shapiro

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2004CARACA02668 - CONFIDENTIAL